



BUS 417 Write-up
Summer 2022

Table of Contents

Market Analysis.....	3
Stock Overview.....	3
Company Overview.....	4
Management Overview.....	9
Financial Overview.....	11
Recommendation.....	12
Exhibits.....	14

Market Analysis

Social media is a place (websites or platforms) that enable users to create and share content or to participate in social networking. As more than 60% of human population are internet users, social media is really important for business advertising, becoming one of major driver of economic growth. People mainly use social media for hare general updates, communicate directly with customers, and share marketing messages. Recently, social media growth has been really slow which actually because the social media penetration rate has been high. In the social media industry, Facebook becomes the world's most-used social platforms, followed by WhatsApp and Instagram. In the future media trends rend to be in the form of short-video content. Moreover, social commerce which buying products directly from social media will continue to expand.

Stock Overview

Meta Platforms Inc's stocks are traded in North America on the Nasdaq under the ticker symbol META. The company has 458.09 billion market capitalization. In figure 1, it shows that Meta has lost half of its value in 2022. The price dropped by 36%, from \$323 to \$237, in February 22, 2022 which is the day when the company released its 10-K. Then it dropped again to \$174 in April 27, 2022 which is the day the 10-Q quarter 1 was released. Despite the significant drops in 2022, overall, Meta retains more than 400% return since IPO. Moreover, Meta has positive P/E on July 31, is 13.32 as the company generates huge revenue, making positive net income every year. However, it is important to note that the P/E is affected by repurchase of common stock.

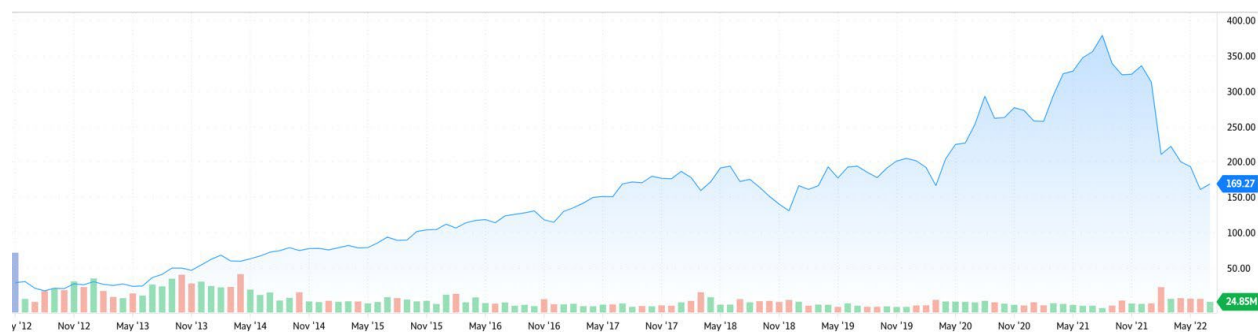


Figure 1. Meta' Stock Performance since IPO

In comparison to industry performance, the ETF that is chosen is SOCL (the red line) which 97% of holdings are digital connection companies such as Twitter, Snap, Match Group, Tencent, Alphabet, Pinterest, etc. As shown in figure 2, the ETF outperformed Meta in 2022. In comparison to S&P 500, from 2020 until 2021, Meta (the grey line) outperformed S&P 500 (the yellow line). However, since the release day of 10-K in 2022, it drags down the stock price, underperforming S&P 500.

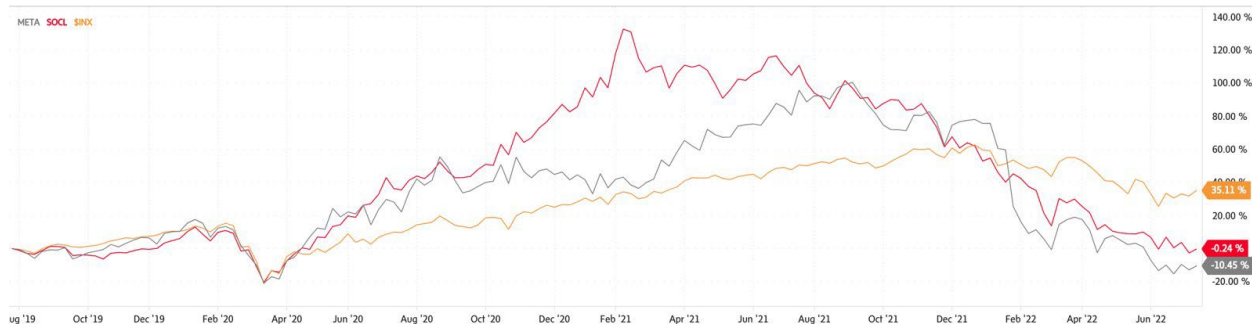


Figure 2. Meta's stock performance compared to S&P 500 and SOCL ETF

Company Overview

Company Profile

Meta Platforms Inc (formerly Facebook) is the world's largest digital connections company. Most of its products are social media platforms such as Facebook, Instagram, WhatsApp, and Messenger, which they generate advertising revenue from them. The headquarter is in Menlo Park, California. The company has offices in more than 80 countries and 21 data centers globally. They rebrand the company to Meta since they want to move beyond 2D screens through the Metaverse project that they are building right now.

Company History Timeline

Date	Events
February 4, 2022	The company was founded by Mark Zuckerberg, Dustin Moskowitz, Chris Hughes, and Eduardo Saverin on February 4, 2004
August 9, 2012	The company held initial public offering
May 18, 2012	Instagram acquisition
February 19, 2014	WhatsApp acquisition
March 17, 2014	Connectivity Lab is announced
March 25, 2014	Oculus acquisition at \$2 Billion
October 3, 2016	Facebook marketplace is introduced
October 10, 2016	Workplace is introduced
September 26, 2018	Oculus Quest is introduced at OC5
October 8, 2018	Portal and Portal+ are introduced
May 19, 2020	Facebook Shops is introduced
May 26, 2020	Novi is announced
October 28, 2021	Meta, a new company brand, is introduced

Business Units and Products

The company has primarily two operating segments which are Family of Apps and Reality Labs. Family of Apps includes Facebook, Messenger, Instagram, and WhatsApp. Reality Labs (the Metaverse) which consists of virtual reality and augmented reality's products such as Meta Quest, Portal, Portal+, and software.

Family of Apps

- **Facebook**

Facebook is Meta's initial social media platform which allow users, who sign-up for free profiles, to connect with friends or people they do not know, online. It also allows users to share pictures, music, videos, articles, and their own opinions with others.

Facebook has several features. First, Facebook Page which is a public profile created for businesses or brands. It gives a free opportunity for businesses to increase brand awareness and generate sales on Facebook. Second, Facebook Marketplace is a place where people can buy and sell within their communities. Third, Facebook Group is a place for group communication and for people to share their common interests and express their opinion.

Facebook almost hit 2 billion DAU and 3 billion MAU which most of its users are in India. Facebook experienced first decrease in monthly active users in the second quarter of 2022 since IPO.

- **Instagram**

Meta acquired Instagram in 2012 at \$1 billion. As per second quarter of 2022, it has 2 billion monthly active users. It is a photo-sharing app that lets people connect brands and people. The revenue generates from advertisement.

It has features such as Instagram Feed, Instagram Stories, Reels, and Shop. First, Instagram Feed is where people can post photos and videos and it can be shoppable by including tags. Second, Instagram Stories is where people share short format photos and videos that disappeared for 24 hours. Third, Reels are immersive videos where people are usually used for expressing their brand stories. Fourth, the shopping tab on Instagram's home screen is a destination for people to discover new brands and products that are personalized to them.

- **Messenger**

Messenger is a messaging platform that was developed in 2011. The platform allows people to send messages and exchange photos, videos, audio and files. As of the second quarter of 2022, it has 1.3 billion active users. Recently, a feature has been added to the platform which is Watch Together. It allows users to see other's reaction while watching videos or movies.

- **WhatsApp**

WhatsApp was purchased in 2014 at \$21 billion. Like messengers, it is also a free messaging platform. As of the second quarter of 2022, it has two billion active users. WhatsApp currently makes money from WhatsApp for businesses and WhatsApp Pay.

- **Novi and Workplace**

Aside from Family of Apps, Meta also owns Novi and Workplace. Novi is a digital wallet that helps people send and receive money internationally. Novi uses USDP (Pax Dollar) which is a digital currency which runs on secure blockchain technology. Unfortunately, Meta has been shutting down this platform. Starting July 21, users will no longer be able to add money in their accounts. Meta plans to use Novi's technology in future products such as the Metaverse.

Workplace is a communication tool that connects everyone in your company even if they are working remotely. It has familiar features such as groups, chat, and live video broadcasting to get people talking and working together.

Active Users Growth (for Family of Apps)

In figure 3, monthly active user's growth has increased in a slower rate as the market penetration of social media users is already high. In the second quarter of 2022, Meta already has 3.65 billion monthly active users which most of its users are in Asia and Pacific (APAC), specifically in India and Indonesia. Despite high active users, users in APAC generate much less revenue compared to US & Canada's users. This is because US & Canada has rapid growth in e-commerce. Moreover, the user engagement remains strong which is almost 70%. Currently, Meta experiences reduction in advertisement demand due to weak macroeconomy environment which affects average revenue per user (ARPU). In figure 4, in the second quarter of 2022, ARPU is at \$7.91 which is less than last year in the same period.

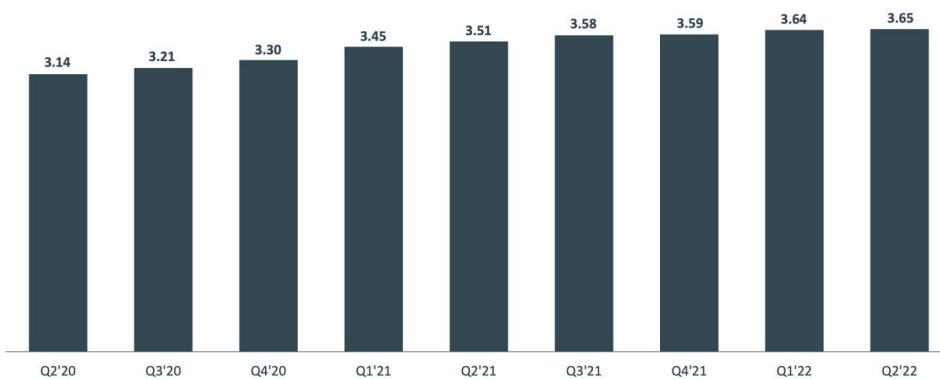


Figure 3. Monthly Active Users as of second quarter of 2022 (in billions)



Figure 4. Average Revenue per User as of second quarter of 2022

The Metaverse Project

Meta Platforms Inc. (formerly Facebook) changed its name to reflect its new focus on the Metaverse Project. The purpose of this project is changing digital connection into 3D. It was started since Meta bought Oculus which was a VR company, in 2014 at \$2 Billion. The project involves virtual reality, augmented reality. One of its virtual reality's product is Meta Quest 2 VR Headset which is a headset for multiplayer games of 360-degree view. Also, Horizon World also allows user to create their own imagination world. Moreover, they also have smart glasses which can capture photos and videos from first-person perspective. It also enables users to take a phone call and listen to songs. Meta just opened its first brick and mortar store which is located in Burlingame, California on May 9, 2022. The store primarily sells the Metaverse products such as Meta Quest 2, Ray-Ban Stories, and Meta Portal.

The company has been investing in the Metaverse and it will keep increasing in the future. The company mostly hires a lot of employees for its research and development. The revenue increases more than 25% since 2019. However, the cost grows much faster than the revenue, increasing the net losses every year. Reality Labs' operation loss increased by 15% or 35% from last year in the same periods.

Revenue and Expenses

Meta's revenue is from advertising, Reality Labs' products, and interest income in which 97% of the revenue is from advertising. In the second quarter of 2022, Family of Apps' revenue experienced first decrease in advertising revenue which is shown in figure 5. The second quarter of 2022' revenue is \$28.37 billion which is less than last year in the same period. On the other hand, Reality Labs' revenue increased by 48% from last year in the same period. The increase in RL was primarily driven by an increase in the volume of our consumer hardware products sold. However, Reality Labs (RL) only contributes 2% of the revenue. The revenue growth cannot offset its expenses which grows faster than the revenue.

	<u>Q4'20</u>	<u>Q1'21</u>	<u>Q2'21</u>	<u>Q3'21</u>	<u>Q4'21</u>	<u>Q1'22</u>	<u>Q2'22</u>
Advertising	\$ 27,187	\$ 25,439	\$ 28,580	\$ 28,276	\$ 32,639	\$ 26,998	\$ 28,152
Other	168	198	192	176	155	215	218
Family of Apps Revenue	27,355	25,637	28,772	28,452	32,794	27,213	28,370
Reality Labs Revenue	717	534	305	558	877	695	452
Total Revenue	\$ 28,072	\$ 26,171	\$ 29,077	\$ 29,010	\$ 33,671	\$ 27,908	\$ 28,822

Figure 5. Revenue Segment as of the Second Quarter of 2022 (in millions)

The expenses of Meta are primarily from research and development. In figure 6, R&D expenses in the second quarter of 2022 increased \$2.59 billion, or 43%, compared to the same period in 2021. The increase was mainly due to higher payroll and a 39% growth in employee which mainly for continued investment in Reality of Labs. Moreover, general and administrative expenses also increased by 53% which as mainly due to increases in legal-related costs (FTC legal matter) and 34% increase in employee in general and administrative functions.

Research and development

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% change	2022	2021	% change
	(in millions, except percentages)					
Research and development	\$ 8,690	\$ 6,096	43 %	\$ 16,397	\$ 11,293	45 %
Percentage of revenue	30 %	21 %		29 %	20 %	

General and administrative

	<u>Three Months Ended June 30,</u>			<u>Six Months Ended June 30,</u>		
	<u>2022</u>	<u>2021</u>	<u>% change</u>	<u>2022</u>	<u>2021</u>	<u>% change</u>
	<i>(in millions, except percentages)</i>					
General and administrative	\$ 2,987	\$ 1,956	53 %	\$ 5,347	\$ 3,578	49 %
Percentage of revenue	10 %	7 %		9 %	6 %	

Figure 6. Expenses as of the Second Quarter of 2022 (in millions)

As reduction in advertising demand affects Meta's revenue, it slows the revenue growth. At the same time, the cost grows rapidly due to huge investment in the Metaverse. This causes Meta's operating margin growth decreases. In figure 7, Meta's operating margin growth has decreased since the third quarter of 2021.

Family of Apps Operating Income	\$ 14,874	\$ 13,205	\$ 14,799	\$ 13,054	\$ 15,889	\$ 11,484	\$ 11,164
Reality Labs Operating (Loss)	(2,099)	(1,827)	(2,432)	(2,631)	(3,304)	(2,960)	(2,806)
Total Income from Operations	\$ 12,775	\$ 11,378	\$ 12,367	\$ 10,423	\$ 12,585	\$ 8,524	\$ 8,358
Operating Margin	46%	43%	43%	36%	37%	31%	29%

Figure 7. Operating Margin as of the Second Quarter of 2022 (in millions)

Limitations and Competition

Currently Meta advertisement system has been limited by iOS 14.5 update. The update gives iPhone users an option whether app can track their iPhone which significantly affects all digital

advertising platforms that rely on third-party data, especially Meta. It is estimated that Meta's ad advertising revenue will decrease by \$10 billion in 2022. To respond to iOS, Meta has advertiser tools that mitigate this limitation such as aggregated user measurement, but Meta still expects difficulty in targeting in 2022.

The company competes with companies that provide communication products and service to users online. Meta's significant competitors are Alphabet (Google and YouTube), Amazon, Apple, Snapchat, Twitter, and Tencent (WeChat). Recently, TikTok became Meta's major competitor as TikTok's users has exploded in the past couple of years. TikTok affected Meta's user engagement by equaling Facebook's time spent rate which is 19.6 hours per month. Meta responded it by creating Instagram Reels which eventually increases user engagement on Instagram.

Legal Matters

Meta became social media company that involves with legal matters the most. In 2018, Meta involved with Cambridge Analytica Scandal which the firm improperly harvested data from tens of millions of Facebook users for as targeting during the 2016 election. In 2019, Federal Trade Commission fined Meta \$5 billion for the settlement. Moreover, on December 9, 2020, Meta was accused of engaging anticompetitive conduct as the company acquired Instagram in 2012 and WhatsApp in 2014. This could danger Meta as the company could be broken up.

On July 27, FTC tool legal action to block Meta from acquiring virtual company Within Unlimited and its fitness and Supernatural, alleging the company against anticompetitive conduct. With a lot of going on in legal matters, this could discourage investors to invest in the company as the government will affects the company's future performance.

Management Overview

Mark Zuckerberg, Chairman and Chief Executive Officer (2004-present)

He originally founded Facebook in 2004. Mark is responsible for setting the overall direction and product strategy for the company. He leads the design of Meta's services and development of its core technology and infrastructure. Mark studied computer science at Harvard University before moving the company to Palo Alto, California.

In figure 8, in 2021, Mark Zuckerberg has 57% of voting shares as he owns 366,043,429 million class B shares (88% of the total class B shares). As he has the majority of the voting power, he has the control over the company such as the election of directors, sales, and merger. This concentrated power might discourage investors to acquire class A shares. This also could delay actions such as change of control that investors support.

Name of Beneficial Owner	Shares Beneficially Owned				% of Total Voting Power ⁽¹⁾
	Class A		Class B		
	Shares	%	Shares	%	
Named Executive Officers, Directors, and Nominees:					
Mark Zuckerberg ⁽²⁾	831,706	*	349,745,790	84.7	54.4
Shares subject to voting proxy ⁽³⁾	—	—	16,297,639	3.9	2.5
Total ⁽²⁾⁽³⁾	831,706	*	366,043,429	88.7	56.9
Sheryl K. Sandberg ⁽⁴⁾	1,495,605	*	—	—	*
David M. Wehner ⁽⁵⁾	81,039	*	—	—	*
Christopher K. Cox ⁽⁶⁾	311,062	*	—	—	*
Marne L. Levine ⁽⁷⁾	33,262	*	—	—	*
Peggy Alford ⁽⁸⁾	4,947	*	—	—	*
Marc L. Andreessen ⁽⁹⁾	45,380	*	—	—	*
Andrew W. Houston ⁽¹⁰⁾	5,901	*	—	—	*
Nancy Killefer ⁽¹¹⁾	5,594	*	—	—	*
Robert M. Kimmitt ⁽¹²⁾	5,527	*	—	—	*
Peter A. Thiel ⁽¹³⁾	13,893	*	—	—	*
Tracey T. Travis ⁽¹⁴⁾	5,594	*	—	—	*
Tony Xu ⁽¹⁵⁾	594	*	—	—	*
All current executive officers and directors as a group (16 persons) ⁽¹⁶⁾	3,036,650	*	366,043,429	88.7	57.0
Other 5% Shareholders:					
Eduardo Saverin ⁽¹⁷⁾	7,535,009	*	45,928,139	11.1	7.3
Entities affiliated with BlackRock ⁽¹⁸⁾	158,128,797	6.9	—	—	2.5
Entities affiliated with Vanguard ⁽¹⁹⁾	181,965,468	7.9	—	—	2.8
Entities affiliated with FMR LLC ⁽²⁰⁾	128,193,375	5.6	—	—	2.0

* Less than 1%.

Figure 8. Shares Owned by Management

Sheryl Sandberg, Chief Operating Officer (2008-present)

As the COO, she oversees the company's business operations, especially in the hiring process. She is the person behind the company's policies. She also serves on Meta's board of directors. Prior to joining the company then called Facebook, she was vice president of Global Online Sales and Operations at Google. Sheryl received a BA *summa cum laude* from Harvard University and an MBA with highest distinction from Harvard Business School. She will be stepping down in Fall 2022, and she will be replaced by Javier Olivan, who is the Chief of Growth. She is to be known as the person who makes Meta the most profitable company, but in figure 7, she has less than 1% of voting power.

Dave Wehner, Chief Financial Officer (2014-present)

As the CFO, he leads finance, facilities, and information technology teams. He holds a B.S. in Chemistry from Georgetown University, and a M.S. in Applied Physics from Stanford University in which he does not have an education background in business or finance. However, prior to Meta, he works in finance background such as the CFO of Zynga Inc. and a managing director at Allen & Company, which is an investment bank focused on media and technology. He will change a role to Chief Strategy Officer. He will be replaced by Susan Li who is currently the Vice President of Finance.

Andrew Bosworth, Chief Technology Officer (Jan 2022-present)

As the CTO of Meta, he leads the Reality Labs team. He leads Meta's efforts in AR, VR, AI and consumer hardware across Quest, Portal, Ray-Ban Stories and more.

He also has been the engineering director overseeing Events, Places, Photos, Videos, Timeline, Privacy, Mobile Monetization and Feed Ads. He graduated from Harvard in 2014 and holds a Bachelor of Computer Science.

Chris Cox, Chief Product Officer (2014-present)

As the CPO, he leads its apps and technologies. He has joined Meta since 2005 as a software engineer and helped build the first versions of key Facebook features, including News Feed. He then became director of human resources, setting the tone for the company's culture. In 2008, he became vice president of product, where he built the initial product management and design teams, before being promoted to chief product officer in 2014. He holds a Bachelor in symbolic systems with a concentration in artificial intelligent from Stanford University in 2004.

Javier Olivan, Chief Growth Officer (2022-present)

As the CGO, he leads the central products and functions that span the company's apps such as Facebook, Messenger, Instagram, and WhatsApp. Prior to join Meta, he was a product manager at Siemens Mobile where he led a cross-functional team with the development and market launch of handset devices. He holds a master's degree in business administration from Stanford University and a master's degree in both electrical and industrial engineering from University of Navarra. In Fall 2022, he will replace Sheryl Sandberg to take her position as the Chief Operating Officer.

Susan Li, Vice President of Finance (2008-present)

As the Vice President of Finance, she leads finance and business planning, corporate finance, and treasury and risk management functions. Prior to join Meta, she worked as an analyst of Morgan Stanley from 2005-2008. Starting November 1, he will be the Chief of Financial Officer. She is also an Alaska Airlines' Board of Member since 2018. She holds a Bachelor Degree of Economics and Mathematical & Computer Science from Stanford University.

Overall, Meta's management is carried by great members that have related education background and work experience. However, the change in the management is overwhelming. Investors could be concerned by how the company will perform in the future with Sheryl Sandberg being gone.

Financial Overview

Meta's financial condition shows strong performance although there is decrease in net income in the second quarter of 2022. From the second quarter balance sheet, there is an increase in property and equipment by almost \$10 billion. During this period, the company used their cash by \$13 billions for purchases of properties and equipment, compared to \$8.9 billion from last

year in the same period. This shows that Meta maintains and grows their business, but it needs to be noted that the majority of the PPE investment could be for the Metaverse project. Other than that, the huge investment in the Metaverse can be seen from the total costs which rapidly increase in the past two years, dragging down the operating margin as shown in figure 7. The majority of the costs are from R&D which, in 2021, increased by 33% from last year. The goodwill of this company is quite large which is at \$19 billions. From the six months ended in June 30, 2022, the cash provided also used by acquiring businesses and tangible assets, costing the company around \$1 billion. Their liabilities are mostly from accrued expenses which most of it from legal-related accruals. This is understandable since the company have been involved in a lot of legal matters which the main one is about being accused of violating antitrust law by FTC. The debt to equity ratio in 2021 was higher than last year which is 0.32, compared to 2020 which is 0.24. The increase in D/E ratio was mainly due to increase in accrual expenses, operating liabilities, and account payable. Nevertheless, Meta's D/E is still considered low.

Cash flow statement in 2021 slightly decreased from last year even though the net income increased by 26%. Cash provided by operating activities in 2021 was \$57.7 billion which consisted of 39.37 net income adjusted for certain non-cash items such as share-based compensation, and depreciation and amortization which increased compared to last year. It is also because there is increase in account payable by \$1.4 billion. For investing companies, the company mainly spent its cash purchasing properties and equipment which is at \$18 billion. Cash was also provided from sale of marketable securities at \$10.9 billion. For financing activities, Meta always uses their cash mostly for repurchasing common stock. However, in 2021, they used \$44.54 billion of cash for repurchases of class A common shares, significantly higher compared to 2021 which is at \$6.2 billion.

In 2021, revenue increased by 37%. However, in 2022 income statement shows weaker performance than last year. In the second quarter of 2022, Meta experienced its first decrease in revenue since IPO. The decrease in revenue is significantly low, but the net income decreases by 35.6% because the costs increased by 22.4%. Due to the Metaverse project, the total costs grow faster every year. As mentioned before, total costs are mainly from R&D expenses. R&D expenses in the second quarter of 2022 increased \$2.59 billion, or 43%, compared to the same period in 2021. This drags down its EPS from \$3.61 to \$2.64

Recommendation

The recommendation is to buy Meta Platforms Inc's stocks. Even though Meta shows weaker financial performance this year due to weak demand of its advertisement, the company still holds the first position in the digital connection industry. With its significantly high revenue, the company is able to expand their businesses through business acquisitions that will maintain position in the industry. Even though, Meta's price became cheap right now, its financial statements are still healthy, which is shown by positive cash flow statement and positive net income. With many business acquisitions, Meta still maintains low debt to equity ratio. The company is managed by people who have good education background and work experiences, but this year the management has changed as Sherly Sandberg (the COO) will leave the company and the CFO will be replaced by Susan Li. Even though Meta is a buy company, it is still important to consider factors that affect their performance in the future. The Metaverse project

that they are doing right now still shows weak performance as the loss increases every year due to huge investment. With weak macroeconomic environment which cause weak demand in advertising business, this might be not the right time for Meta to impulsively keep increasing their expenses in the Metaverse project. Additionally, at the same time, the company is also facing one of the biggest legal matter in its history which is being accused of conducting anti-competitive conduct.

Exhibits

Additional information in regards to the analysis and recommendations can be found in the following Exhibits.

Exhibit A: Balance Sheet

Balance Sheet 10-Q (Quarter 2 of 2022)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,681	\$ 16,601
Marketable securities	27,808	31,397
Accounts receivable, net	11,525	14,039
Prepaid expenses and other current assets	3,973	4,629
Total current assets	55,987	66,666
Non-marketable equity securities	6,536	6,775
Property and equipment, net	67,588	57,809
Operating lease right-of-use assets	14,130	12,155
Intangible assets, net	965	634
Goodwill	20,229	19,197
Other assets	4,344	2,751
Total assets	\$ 169,779	\$ 165,987
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,008	\$ 4,083
Partners payable	982	1,052
Operating lease liabilities, current	1,275	1,127
Accrued expenses and other current liabilities	15,420	14,312
Deferred revenue and deposits	532	561
Total current liabilities	22,217	21,135
Operating lease liabilities, non-current	14,792	12,746
Other liabilities	7,003	7,227
Total liabilities	44,012	41,108
Commitments and contingencies		
Stockholders' equity:		
Common stock and additional paid-in capital	59,929	55,811
Accumulated other comprehensive loss	(3,411)	(693)
Retained earnings	69,249	69,761
Total stockholders' equity	125,767	124,879
Total liabilities and stockholders' equity	\$ 169,779	\$ 165,987

Balance Sheet 10-K (2021)

	December 31,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,601	\$ 17,576
Marketable securities	31,397	44,378
Accounts receivable, net	14,039	11,335
Prepaid expenses and other current assets	4,629	2,381
Total current assets	66,666	75,670
Equity investments	6,775	6,234
Property and equipment, net	57,809	45,633
Operating lease right-of-use assets	12,155	9,348
Intangible assets, net	634	623
Goodwill	19,197	19,050
Other assets	2,751	2,758
Total assets	\$ 165,987	\$ 159,316
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,083	\$ 1,331
Partners payable	1,052	1,093
Operating lease liabilities, current	1,127	1,023
Accrued expenses and other current liabilities	14,312	11,152
Deferred revenue and deposits	561	382
Total current liabilities	21,135	14,981
Operating lease liabilities, non-current	12,746	9,631
Other liabilities	7,227	6,414
Total liabilities	41,108	31,026
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.000006 par value; 5,000 million Class A shares authorized, 2,328 million and 2,406 million shares issued and outstanding, as of December 31, 2021 and 2020, respectively; 4,141 million Class B shares authorized, 413 million and 443 million shares issued and outstanding, as of December 31, 2021 and 2020, respectively	—	—
Additional paid-in capital	55,811	50,018
Accumulated other comprehensive income (loss)	(693)	927
Retained earnings	69,761	77,345
Total stockholders' equity	124,879	128,290
Total liabilities and stockholders' equity	\$ 165,987	\$ 159,316

Exhibit B: Income Statement

Income Statement 10-K (2021)

	Year Ended December 31,		
	2021	2020	2019
Revenue	\$ 117,929	\$ 85,965	\$ 70,697
Costs and expenses:			
Cost of revenue	22,649	16,692	12,770
Research and development	24,655	18,447	13,600
Marketing and sales	14,043	11,591	9,876
General and administrative	9,829	6,564	10,465
Total costs and expenses	71,176	53,294	46,711
Income from operations	46,753	32,671	23,986
Interest and other income, net	531	509	826
Income before provision for income taxes	47,284	33,180	24,812
Provision for income taxes	7,914	4,034	6,327
Net income	\$ 39,370	\$ 29,146	\$ 18,485
Earnings per share attributable to Class A and Class B common stockholders:			
Basic	\$ 13.99	\$ 10.22	\$ 6.48
Diluted	\$ 13.77	\$ 10.09	\$ 6.43
Weighted-average shares used to compute earnings per share attributable to Class A and Class B common stockholders:			
Basic	2,815	2,851	2,854
Diluted	2,859	2,888	2,876
Share-based compensation expense included in costs and expenses:			
Cost of revenue	\$ 577	\$ 447	\$ 377
Research and development	7,106	4,918	3,488
Marketing and sales	837	691	569
General and administrative	644	480	402
Total share-based compensation expense	\$ 9,164	\$ 6,536	\$ 4,836

Income Statement 10-Q (Quarter 2 of 2022)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	\$ 28,822	\$ 29,077	\$ 56,729	\$ 55,248
Costs and expenses:				
Cost of revenue	5,192	5,399	11,197	10,530
Research and development	8,690	6,096	16,397	11,293
Marketing and sales	3,595	3,259	6,907	6,102
General and administrative	2,987	1,956	5,347	3,578
Total costs and expenses	20,464	16,710	39,848	31,503
Income from operations	8,358	12,367	16,881	23,745
Interest and other income (expense), net	(172)	146	213	271
Income before provision for income taxes	8,186	12,513	17,094	24,016
Provision for income taxes	1,499	2,119	2,942	4,124
Net income	\$ 6,687	\$ 10,394	\$ 14,152	\$ 19,892
Earnings per share attributable to Class A and Class B common stockholders:				
Basic	\$ 2.47	\$ 3.67	\$ 5.21	\$ 7.00
Diluted	\$ 2.46	\$ 3.61	\$ 5.19	\$ 6.90
Weighted-average shares used to compute earnings per share attributable to Class A and Class B common stockholders:				
Basic	2,704	2,834	2,714	2,841
Diluted	2,713	2,877	2,729	2,881
Share-based compensation expense included in costs and expenses:				
Cost of revenue	\$ 213	\$ 163	\$ 373	\$ 281
Research and development	2,606	1,967	4,547	3,376
Marketing and sales	289	239	506	413
General and administrative	243	179	424	309
Total share-based compensation expense	\$ 3,351	\$ 2,548	\$ 5,850	\$ 4,379

Exhibit C: Cash Flow Statement

Cash Flow Statement 10-K (2021)

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities			
Net income	\$ 39,370	\$ 29,146	\$ 18,485
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,967	6,862	5,741
Share-based compensation	9,164	6,536	4,836
Deferred income taxes	609	(1,192)	(37)
Other	(127)	118	39
Changes in assets and liabilities:			
Accounts receivable	(3,110)	(1,512)	(1,961)
Prepaid expenses and other current assets	(1,750)	135	47
Other assets	(349)	(34)	41
Accounts payable	1,436	(17)	113
Partners payable	(12)	178	348
Accrued expenses and other current liabilities	3,357	(1,054)	7,300
Deferred revenue and deposits	187	108	123
Other liabilities	941	(527)	1,239
Net cash provided by operating activities	57,683	38,747	36,314
Cash flows from investing activities			
Purchases of property and equipment	(18,567)	(15,115)	(15,102)
Purchases of marketable securities	(30,407)	(33,930)	(23,910)
Sales of marketable securities	31,671	11,787	9,565
Maturities of marketable securities	10,915	13,984	10,152
Purchases of equity investments	(47)	(6,361)	(61)
Acquisitions of businesses, net of cash acquired, and purchases of intangible assets	(851)	(388)	(508)
Other investing activities	(284)	(36)	—
Net cash used in investing activities	(7,570)	(30,059)	(19,864)
Cash flows from financing activities			
Taxes paid related to net share settlement of equity awards	(5,515)	(3,564)	(2,337)
Repurchases of Class A common stock	(44,537)	(6,272)	(4,202)
Principal payments on finance leases	(677)	(604)	(552)
Net change in overdraft in cash pooling entities	14	24	(223)
Other financing activities	(13)	124	15
Net cash used in financing activities	(50,728)	(10,292)	(7,299)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(474)	279	4
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,089)	(1,325)	9,155
Cash, cash equivalents, and restricted cash at beginning of the period	17,954	19,279	10,124
Cash, cash equivalents, and restricted cash at end of the period	\$ 16,865	\$ 17,954	\$ 19,279
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	\$ 16,601	\$ 17,576	\$ 19,079
Restricted cash, included in prepaid expenses and other current assets	149	241	8
Restricted cash, included in other assets	115	137	192
Total cash, cash equivalents, and restricted cash	\$ 16,865	\$ 17,954	\$ 19,279

Cash Flow Statement 10-Q (Quarter 2 of 2022)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cash flows from operating activities				
Net income	\$ 6,687	\$ 10,394	\$ 14,152	\$ 19,892
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,979	1,985	4,135	3,958
Share-based compensation	3,351	2,548	5,850	4,379
Deferred income taxes	(453)	229	(1,016)	647
Other	189	(21)	(33)	(88)
Changes in assets and liabilities:				
Accounts receivable	(522)	(1,366)	2,035	(517)
Prepaid expenses and other current assets	(435)	(1,852)	138	(2,313)
Other assets	(25)	(185)	(132)	(195)
Accounts payable	237	116	(645)	(134)
Partners payable	73	(61)	(33)	(133)
Accrued expenses and other current liabilities	1,180	1,482	1,943	(200)
Deferred revenue and deposits	24	3	(28)	9
Other liabilities	(88)	(26)	(94)	184
Net cash provided by operating activities	12,197	13,246	26,272	25,489
Cash flows from investing activities				
Purchases of property and equipment	(7,572)	(4,641)	(13,013)	(8,944)
Proceeds relating to property and equipment	44	29	170	60
Purchases of marketable debt securities	(2,220)	(10,297)	(6,288)	(16,528)
Sales of marketable debt securities	2,648	4,687	7,713	6,337
Maturities of marketable debt securities	511	2,347	913	6,327
Acquisitions of businesses and intangible assets	(363)	(259)	(1,216)	(259)
Other investing activities	(7)	(61)	(17)	(62)
Net cash used in investing activities	(6,959)	(8,195)	(11,738)	(13,069)
Cash flows from financing activities				
Taxes paid related to net share settlement of equity awards	(1,002)	(1,354)	(1,927)	(2,432)
Repurchases of Class A common stock	(5,233)	(7,079)	(14,739)	(11,018)
Principal payments on finance leases	(219)	(123)	(452)	(274)
Net change in overdraft in cash pooling entities	(79)	53	(59)	3
Other financing activities	(30)	(45)	(46)	(13)
Net cash used in financing activities	(6,563)	(8,548)	(17,223)	(13,734)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(550)	117	(698)	(129)
Net decrease in cash, cash equivalents, and restricted cash	(1,875)	(3,380)	(3,387)	(1,443)
Cash, cash equivalents, and restricted cash at beginning of the period	15,353	19,891	16,865	17,954
Cash, cash equivalents, and restricted cash at end of the period	\$ 13,478	\$ 16,511	\$ 13,478	\$ 16,511
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets				
Cash and cash equivalents	\$ 12,681	\$ 16,186	\$ 12,681	\$ 16,186
Restricted cash, included in prepaid expenses and other current assets	228	201	228	201
Restricted cash, included in other assets	569	124	569	124
Total cash, cash equivalents, and restricted cash	\$ 13,478	\$ 16,511	\$ 13,478	\$ 16,511

Exhibit D: Revenue Breakdown

